OLSZTYN ECONOMIC JOURNAL
Abbrev.: Olszt. Econ. J., 2006, 1

THE PROCESS OF TRANSFORMATION IN SLOVENIA, CHANCES AND RISK

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Key words: transformation, reforms, effects, changes, increase, risk, integration.

Abstract

The aim of this study is to present the way of transformation which was conducted in Slovenia. The close attention was paid to following items: privatization, changes at financial sector, foreign trade and the level of foreign direct investment. The transformation process in Slovenia was different from this one in other European countries, which were based on central planned economy before. Slovenian way proved to be a success, since the gap between Slovenia and EU countries is the narrowest comparing with other European countries applying to EU.

PRZEBIEG PROCESU TRANSFORMACJI W SŁOWENII, SZANSE I ZAGROŻENIA

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Słowa kluczowe: transformacja, reformy, efekty, zmiany, wzrost, zagrożenia, integracja.

Abstrakt

Celem artykułu jest przedstawienie przebiegu procesu transformacji w Słowenii. Uwzględniono typowe zakresy reform gospodarczych. Zwrócono uwagę na prywatyzację, zmiany sektora finansowego, handel zagraniczny oraz dynamikę i poziom inwestycji zagranicznych. Powyższe reformy znacznie odbiegają od sposobu ich prowadzenia w innych państwach Europy Środkowej. Z tego względu można przyjąć, iż Słowenia wprowadziła swoją oryginalną drogę transformacji rynkowej. Droga okazała się skuteczna, gdyż dystans do krajów UE jest najmniejszy spośród wszystkich państw Europy Środkowej.

Introduction

In comparison with countries of ex-Yugoslavia, the process of transformation in Slovenia proceeded strongly differently. This smallest republic in sense of area (20 251 km^2) and population (1,92 mln in 1990) (*Statistical...* 1992) has taken a very beneficial status not only in the economic apprehension, but also in social one. In the national structure dominant share posses Slovenian (92 % of the whole society), only a small part represent Croatians (3 %), and Serbs (2%). Thanks to this uniform structure drawn-out territorial conflicts have been avoided, which sometimes turned into rapid and crippling armed conflict (MRAK 1991). Until year 1990 Slovenia has produced 18–20% yearly PKB the whole Yugoslavia, it has ensured nearly 15% of its income from export (*Statistical...* 1992). The rate of unemployment was the smallest in the federation and amounted nor 3,2% (the average in the other republic 9,9%), in turn the efficiency of work has been twice higher than in the other republics of federation (KARNAIL 1998).

In Middle Europe countries, the transformation mainly proceeded according to the scheme below. Basic reforms concerned:
- privatization
- liquidation of monopolies
- restricting the role of the country
- acquittal of the prizes
- creating a new tax system
- arising a new capital and financial market.

Above mentioned methods were aimed to improve the efficiency and adaptation of the solutions typical for the market economy (BALCEROWICZ 1995). The definition of this aim was important, because of the fact that countries coming through transformation openly declared the willing of entrance to the European Union (AltJe, Shepslek 1991). Although introduction of similar scheme of reforms, vital difference occur. Mostly they reduce to:
- time and scope of the reforms
- chronology
- fast and consequence. In fear of appearance social resistance, partial deterioration macro economical indicator, decision makers restricting suggested changes, what's more they came back to rules being in force in central-planned economy.

In early nineties Middle Europe countries considerably changed in sense of social-economy development. The basic changes included:
- tempo of the increase and overall GDP level
- share in international division of work
- access to the outlets and natural resources

- scope of the lunched market mechanism (for ex. Share of the private property, central allocation of investments, rules of appraisal enterprises etc.)

For this reason different effects of transformation occur in a particular Middle Europe country.

The aim of work, avowed hypothesis and assumptions

The aim of this work is to depict the process of transformation in Slovenia, and (on this base) to estimate chances and dangers resulting from access of this country to European Union. The work was based on the hypothesis listed below:
- economical reforms must be consequently introduced in a definite chronology. Any perturbation lead to uprising negative effects.
- Reforms should take into account the situation of the country, current macro economical conditions, head for the established aim. Economical strategy is verified and in case of any perturbations from the accepted plan, specially modified
- Successes arising from defined reforms can (after suitable modification) be repeated in other countries under transformation as well

All Middle Europe countries, including ex-Yugoslavia ones (although minor differences) has based their model of economy on dominant role of the country. The central plan in direct way determined the assignments for the attendee of the market.

Analyzed were years 1990–2002. Longer period allows a better estimation of the situation, thereby pointing out validity of introduced reforms. The study embraced the following scopes:
- privatization
- foreign investments
- foreign trading

The scopes mentioned above indicate the level of openness of the economy and its part in international division of work.

In the work a method of deduction was used, including reference books especially World Bank elaboration: Slovenia Economic Transformation, R.Baldwin, E.Segezzy, A.Wagner, L.Barbone studies, and European Commission reports.

Preparation – phase of preliminary reforms

While gaining independence (June 1991), many essential reforms had been introduced in order to maintain stabilization in Slovenia. Afterwards to enable a fast way of economical growth (WAGNER 1996).

Typical method (it was observed in most o f the transformed countries) aiming to provide stabilization was restriction of the inflation. In year 1990 the inflation in Slovenia accounted for 250% (*Statistical*... 1991). Accordingly to its high level reasonable planning, controlling economic account was particularly impossible (BARRO, SALA 1995). It is worth to underline the lack of the problem of inflation in years before gaining the independence. The average level of inflation in years 1970–1990 amounted 17,5%, whereas the smallest value was observed in the mid seventies – 8,1% (*Statistical*... 1991).

Table 1

Tolar rate in proportion to USD and DEM in years 1991–2002

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
SIT/USD	55.6	81.2	113.2	128.1	118.1	119.6	135.3	159.1	166.7	187.1	167.2	199.6
SIT/DEM	34.8	52.0	68.1	79.1	81.1	89.1	92.1	94.1	99.6	111.8	*	*

* Mark was replaced by Euro
Source: Nova Lublijanska Banka. Lublana Raport 2003

The 8th October a new money unit has been introduced – tolar, which established rate in proportion to dollar on the level of 55.60 SIT (Slovene Tolar) / 1 USD, whilst in proportion to west German mark 34.81 SIT/ 1 DEM (*Bank of Slovenia*... 1992). In the following years the rate proved distinct growth tendency.

During years 1991–2002 USD rate in proportion to Slovene Tolar skyrocketed four times. In 2002 SIT rate to USD amounted leas then 200 units. Similar trend has been noticed in relation between SIT an DEM. At the end of the analyzed period the rate increased to the level 118,8.

Basic scopes of activity concerning the dropping of inflation boiled down to restricting money supply, budget discipline, full clearance of price (BALDWIN, SEGHEZZA 1996). It is vital to take into account resolute activity of corporation especially with respect to two first areas. Although the increase of value rendering credits, their share drops in relation with GDP. In years 1991–2002 this drop amounts nearly 30%. In comparison with other Middle Europe countries this trend is inconvenient.

Table 2

The value of the credits rendered in Slovenia in years 1991–2002 (changeable prices)

	1991	1994	1996	1998	2000	2001	2002
Credit value mln SIT	133.3	672.7	993.9	1.134.7	1.624.7	2.100.4	2.522,1
% PKB	68.0	36.3	38.9	37.7	33.4	31.4	32.1
Government credit (%)	8.5	37.6	30.6	31.3	25.2	21.4	20.7
other credit	91.5	62.4	69.4	68.7	74.8	78.6	79.3
Share of firms (%)	83.7	48.4	48.3	52.1	55.8	57.2	61.3
Share of households (%)	7.8	13.6	17.6	20.8	23.6	27.9	31.5
Share (%) credit in proportion to GDP in selected Middle Europe countries							
Czech	73.6	78.8	74.6	72.8	62.3	65.6	66.9
Hungary	105.6	96.9	76.9	64.5	77.9	82.5	62.1

Source: Bank of Slovenia. Bulletin 7, 9, 11 from 2001 4, 12 from 2002 2 from 2003

Although systematical growth of the value rendered credits, their share in relation to GDP also systematically drops. In 1991 share of the credits in proportion to GDP amounted68%, however in 2002 merely 32,1%. In Czech and in Hungary the sign of rendering credits had merely twice smaller value. In these countries it presented dropping trend too, but it was strongly less dynamic then in Slovenia. It also points out the fact of involvement of private banks in rendering enterprises. Throughout the whole analyzed period nearly 70% of the overall credits falls for private banks, the share of the state units was distinctly smaller, only in year 1994 they has amounted 37,6%, and in the latter years they did not overcome 32% of the total income.

In years 1991–2002 the real rate of interest of the credit has been dropped from 25% to 5,6%. The fact of the long period (till 1998) alleging high level of rate of interest above 15% can not be overlooked. This situation impinged on dynamic and level of deposits. In the analyzed period they have risen in an average year tempo 8%, amounting a value of 1,6 mld SIT (*National*... 2003).

After 1991 the government of Slovenia leaded politics that restricted the financing deficit. Deficit was hesitating in compartment {-1,8; -1,1}, according to this study it was strongly on a lower level than pose the guidelines of the EU countries. The low level of spending on social aims and help catches our attention. They do not overcome 0,5% GDP (*Statistical*... 2003).

The ways of privatization and its effects

In Slovenia process of privatization was mainly determined by the current model of economy. The countries property was restricted and the main role played the private property and the cooperative one. According to this the decided part of GDP produced private economic entity. For example, in 1990 only 7,5% of the GDP return fall on the private firms (Rojec 1996). Similar proportions took place in the other republics as well.

The property changes started after gaining independence. A legislative regulating the transformations was accepted in 1992. It was based on three basic pillars:
1) – privatization of the country property
2) – restructure
3) – nationalize (Jones 1998)
Similar as in different Middle Europe countries (also in Poland) in Slovenia a program of massive privatization was carried out. According to age (*Slovenia*... 1998) of the citizens certificates were assigned to the main part of the society. Their value measured from 2 up to 4000 DEM. Those certificates didn't subject to the circulation of the market, but they were intended for the buy of shares that belonged to the privatized companies. The general sum of delivered certificates corresponds with 40% of the countries accountant value (*World Bank's*... 1996).

The rest state companies were privatized basing on direst methods, which main aim was to:
- transference of shares to the workers (up to 20% of the total value of the firm)
- selling the shares to the workers (up to 40%)
- selling on the way of public offer
- transference of the shares to the Slovenian Development Fund

The second important feature characterizing the property process in Slovenia was restructure, mainly the financial sector. Thanks to that the two-step bank system was preserved and the state property was reinforced (in the biggest banks as for Liublijanska Banka and Kreditna Banka Maribor). Liublijanska Banka and Kreditna Banka Maribor developed strong capital groups that had nearly 45% shares in the market.

State banks have the decided part of share in the market. In the analyzed period it fluctuates from 61,7-74,8%. It is nearly twice higher than the shares of the private shares. What is more, in private banks very noticeable is the contribution of the country. In the 4 biggest private banks it amounts about 16% (*Bank of Slovenia*... 2003).

Table 3

The share in the market (%) in selected state
and private banks in Slovenia in years 1994–2002

	1994	1996	1998	1999	2000	2001	2002
Grupa Liublijanska Banka	28.7	26.7	29.4	30.1	27.7	25.4	26.8
Banka Koper	5.4	5.1	6.1	5.2	5.3	4.8	4.3
Albanka	3.3	3.7	4.2	4.3	3.8	4.1	5.3
Kreditna Banka Maribor	14.1	16.2	15.5	15.2	12.2	14.3	14.7
Banka Celje	4.3	3.3	4.6	4.2	5.5	5.2	5.8
7 the biggest state banks	61.1	72.3	74.8	72.1	73.4	70.8	72.2
Private banks	38.9	27.7	25.2	27.9	26.6	29.2	27.8

Source: Bank of Slovenia Annual Report. 2001 and 2003. Lublijana.

The dependence mentioned above are not strictly the same as in the other Middle Europe countries. The share of the country in the building sector is falling down. In Poland, Hungary and Czech the main advantage has the private capital. It controls the bank sector 75–80% (*Raport o przekształceniach...* 2002). Proportions between Slovenia and other countries under transformation are very different. The marginal role of the foreign capital amounts a small share in the privatization, it restricts only to the more active role of German and Austrian banks, which have 7% shares in the Slovenian market (*Bank of Slovenia....* 2003). In order to privatize the foreign investors did only make only 1% of the whole transactions about the property changes (*Slovenia Economic...* 1998).

In opposite to the other countries under transformation the government of Slovenia performed the nationalization of economy sectors. Basic on the art73 Privatization Legislative the dominant state property was guaranteed in the following sectors of economy:

- energy transport and industrial net
- transport
- telecommunication (post services as well)
- water network and communal service
- Ecology protection

The nationalization encompassed forest and agricultural terrains, which until 1992 year has been cooperative property. The Slovenian government prepared a program that helped the industries in bad financial situation and than hired many workers (300) (*Law on Public Services...* 1993). This program provided help:

- 12 concerned heavy industry
- 7 financial sector(banks)
- 25 concerned processing industry

The means for this aim came from Slovenian Development fund and other share that belonged to the country. On this program 164 mln USD (*IMAD Report*... 2002) has been provided.

The effect of the process of privatization was a rapid growth of state property. The measure according to which the survey was taken was the share of the state industries in GDP. From 1995 year this share systematically grows, and in 2002 it amounts for 45%. The following trend is one more time a reverse to the changes in the other Middle Europe countries.

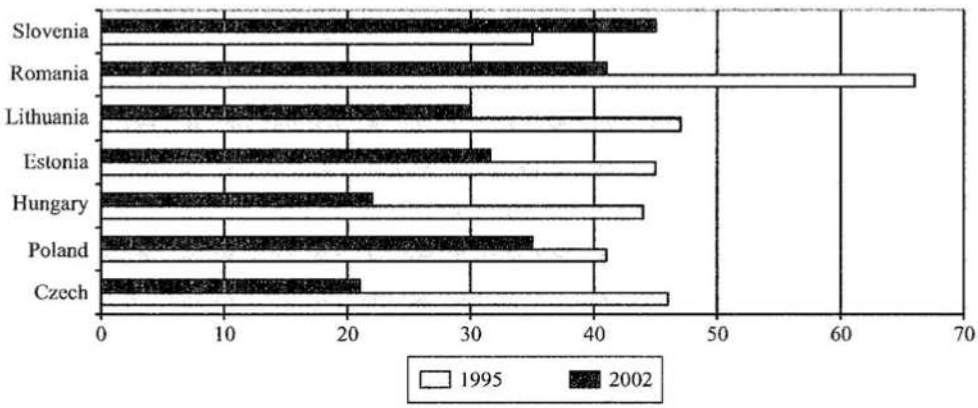

Fig. 1. The share (%) of state industries in GDP in selected countries of Middle Europe in years 1995 and 2002.
Source: The studies based on Rocznik Statystyczny GUS 2002. Wydawnictwo Urzędu Statystycznego Warszawa. 2003.

In most countries under transformation the share of state industries falls in GPD. The smallest share was noticed in Czech and in Hungary, it amounted less than 22%. A rapid fall took place in Rumania. In 1995 the share of state firms in Gad amounted 66% and in 2002less than 40%. Similar changes happened in Latvia and Estonia. In 1995 in Slovenia the analyzed factor measured 35% and in 2002 it raised to 45 %.

Differently than in other countries of Middle Europe the results of the Slovenian economic industries change. The better changes happen in all analyzed groups. This process is noticeable especially in state industries and privatized in the direct way (selling shares to the hired workers). In the table 4 the results of industries of different countries were shown.

Financial results of state firms are much more worse than the results of private or foreign companies. However, there are a few differences between Slovenia and Hungary, Czech. The layout of the results of those two countries is similar, Rate of capital return by private firms fluctuates from 0,9–4,1%. Positive results take private and foreign units. Results of state companies are worse, the dynamic is slower and the rate of capital return. Only in the initial period the Slovenian industries differed in financial

Table 4

Rate of capital return (A) and the dynamic of sale (B) of Slovenian industries and selected Middle-East European countries in years 1994–2002 (%)

	1994		1996		1998		1999		2000		2001		2002	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Slovenia														
Domestic private firms	1.5	2.1	1.0	2.8	1.1	1.8	0.7	3.1	1.4	1.9	1.3	1.4	2.6	4.2
Foreign firms	2.2	3.1	1.7	4.3	1.5	3.3	2.2	3.9	1.8	2.0	1.1	5.8	2.8	6.7
Government firms	-1	-2	-1	0.5	1.4	2.7	1.1	3.9	1.7	2.2	1.9	3.3	2.1	5.1
Hungary														
Domestic private firms	2.2	5.9	1.9	7.1	2.6	6.1	3.1	7.2	1.9	5.1	0.9	4.2	1.3	3.9
Foreign firms	2.9	8.9	3.1	9.1	3.0	10	2.2	6.1	3.5	7.1	3.1	8.1	3.8	7.2
Government firms	0.4	1.4	-1	1.1	-2	0.5	0.2	2.5	-1	0.2	0.4	2.1	0.2	1.5
Czech														
Domestic private firms	1.2	3.5	1.8	4.1	1.3	6.3	3.2	5.5	2.4	5.9	2.2	5.3	1.9	4.3
Foreign firms	3.3	9.1	3.6	8.3	4.1	8.9	3.5	7.1	4.0	4.9	4.2	7.2	3.8	5.2
Government firms	0.2	3.1	-1	0.1	0.3	0.2	-1	0.9	-1	-2	0.1	2	0.5	3.1

Source: Study based on Slovenian Economic Mirror. Marzec 2003 and Slovenia Economic Transformation. Volume 11. Main Report. World Bank. Washington. 1998. Hungary. Structural Reforms for Sustainable Growth. World Bank Operation Dcument. Report 13766 HU Washington. 2003.

results. The rate of the capital return and the dynamic of sell was several times smaller than in private or foreign companies. In final years both results are similar. In 2002 year rate of capital return in state companies amounted 2,1%, and in private firms 2,6% and foreign 2,8%. Dynamic of sell in sate companies is much higher than in private industries and it amounted 5,1% (in private 4,2%).

Foreign investments in Slovenia

Another very crucial difference between Slovenia and other Middle Europe countries was the level and the dynamic of foreign investments. From year 1992 the investments started to flood into Slovenia. In fist four years they posed a stable growing trend. In the beginning of the period the investments amounted 111 mln USD and in 1996 186 mln USD. The highest level of foreign investments was noticed in 1997 – 321 USD, in comparison with the past year it was a growth about 73%. In the next few years the value of investments fluctuated from 140-211 mln USD. Summarizing in years 1992-2002 foreign investors have directed an amount of 2,1 mld USD (*Bank of Slovenia*... 2003).

In comparison with other Middle Europe countries, this sum of money is relatively low. For example, it is just 4% of the measures directed to Poland.

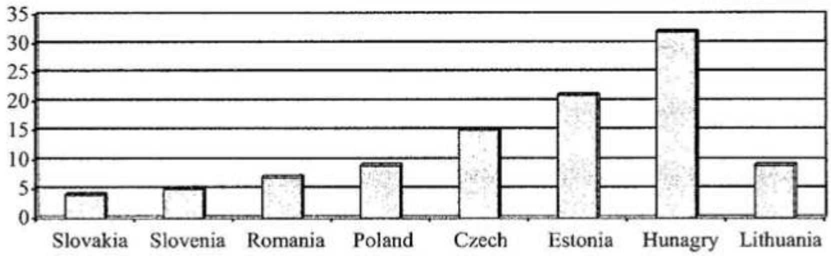

Fig. 2. Share of average annual foreign investments in relevance to GPD in selected European countries during years 1992-2002 (%)
Source: Studies based on Project Finance in Developing Countries World Bank. Washington 2003. World Investment Report. UNCTAD. New York 2003.

Among countries under transformation share of foreign investments in relation with GPD, the one in Slovenia is the smallest. The share amounts less than 5%, only Slovakia has a lower level – 4,2%. Very noticeable is the situation of Hungary. In this case the foreign investments are much higher than 30 % GPD. Also in Czech or in Estonia the level is very high (15 and 21%). Similar low level concerns the height of investments per capita. During years 1992–2002 in Slovenia it amounted 366 USD, in Hungary 1822 USD, in Czech 1211 USD, in Estonia 788 USD.

Above signs prove a low inflow foreign capitals to Slovenia. One of the reason of such layout of current law regulations. Each investment higher than 10 mln Euro, or the 25% of sold shares of a firm needs a government agreement (*Foreign Investment Act Artykuł 20...* 1997). The second vital obstacle is fact of very clear favoritism of state producers. They can count on big help from the central power.

Table 5

Typical forms of help and its level (% budget outcomes) for state industries in Slovenia in years 1994–2002

Help programs/Years	1994	1996	1998	1999	2000	2001	2002
Subsydies	0.72	0.74	1.1	0.9	1.0	1.2	1.1
Restricturization program	1.49	1.37	2.1	0.56	0.36	0.43	0.55
Programs for work activity	0.78	0.77	0.71	0.45	0.33	0.28	1.1
Government support	0.22	0.27	0.18	0.11	0.28	0.15	0.23
Support for elaborated programs	0.27	0.22	0.21	0.23	0.13	0.17	0.36
Tax holiday	0.28	0.34	0.37	0.31	0.25	0.19	0.14

Source: Study based on Slovenian Economic Mirror. March 2003 oraz Slovenia Economic Transformation. Volume 11.Main Report. World Bank. Washington. 1998.

In years 1994–2002 Slovenian authorities have appropriated significant measures to help state firms. The programs cost average 3.5% of the whole budget outcomes. The fact of such big help causes formation of a privileged position if the state companies.

Characteristic feature of foreign investments was the lack of the engagement the measures in projects considerable amount of value, higher than 25 mln USD. In years 1992-2002 only two projects that were higher than 25 mln USD have been realized. The first one concerned on the investments of Renault (montage services) – 65 mln USD, the second one Good year (OPONY factories) – 77 mln USD (*Bank of Slovenia...* 1999). The biggest (nearly 80%) investment concerned expenditure up to 0.5 mln USD. There is a lack of a significant preference of foreign investments. It results from restricting the access to the local market (the domination of the state property in the key sectors), According to this foreign capital is distracted. In none of the sectors of the economy its share is higher than 15% (*Hallard--Dreiemeier* 2003).

The feature that may become an obstacle is the level of the real payment, In Slovenia it is nearly three times higher than in Baltic sea countries (Latvia, Estonia, Latvia) nearly four times higher in comparison with Bulgaria or Rumania. The smallest difference concerns on Czech and Hungary, it amounts 1,5 times (BALDONE 2002).

The causes of such low level of foreign investments in Slovenian, have they base in:

- the process of privatization. The dominancy of country in many economy sectors. Preference of local industries
- law regulations, Administrative restrictions on a level one time investments higher than 10 mln USD
- government help („help programs") only for local industrializes
- high cost of work
- restrictions of the size of interior market

The causes mentioned above significantly prevail than attractive location , political stability, macro economical balance and relatively well qualified workers (ROLDOS 2003).

Changes in foreign trade

Till 1992 year Slovenia has been concentrated on circulations with ex-Yugoslavia countries. Deliveries to those countries amounted 42% of the whole export. Similar share was in import, The most important partner was Croatia, which fall for nearly 17% of the general trade exchange (*Slovenian Statistical*... 2003). It is worth to notice that in export dominant role played goods highly processed, technologically advanced (mainly products of the pharmaceutical industry, electro machine, electronics). Their share in delivery on outside markets amounted more than 53%. Dominant share came for ready made light industry and food industry, less than 25%. As for import the significant role played raw materials, half products and machines or technological appliances, they amounted 63% of whole import (*Slovenian Statistical*... 2003).

While gaining the independence diversification on a foreign market become. Beginning on 1992 year the most important partners became EU countries. From 1992 year they amount more than 63% of total trade exchange. Circulations with ex-Yugoslavia countries fall.

In years 1992–2002 Slovenian trade turnover amount significant raising trend. The export raised from nearly 6,7 mld USD up to 10 mld USD and import 6,1 mld USD to 10,2 mld USD. Generally this turnover is below zero. Twice in year 1992 and 2002 it was above zero. The highest level was marked at the beginning of the period of transformation, in year 1992 – 540 mln USD, 2000 year 170 mld USD. The fact of the value of export is also very important. Only thanks to this position it is possible to gain positive balance in current turnovers in the whole period. Import shows stable grow from 117 mln USD in 1992 year up to 433 mln USD in 2002. The value of reserves raised from 720 mln USD to nearly 5 mld USD. Characteristic feature is maintaining the structure of export. The industrial products still dominate in the deliveries on the outside markets. They amount nearly

60% of the total supplies on the EU markets, The structure of import comes under diversification. The participation of machines, industrial products, electro machine, grocery is more visible. The level of it raised by o 25%. The share of raw materials and resources dropped by 7,4%.

Table 6

The value of export and import in Slovenia in years 1992–2002 in mln USD (current prices)

	1992	1994	1996	1998	1999	2000	2001	2002
Export (FOB)	6.681	6.828	8.310	8.369	9.122	9.436	9.877	9.941
Share of EU(%)	61	65	67	63	64	65	63	66
Import (CIF)	6.141	7.304	9.421	9.366	9.777	9.266	9.988	10.211
Share of EU(%)	60	64	69	65	71	66	68	64
Trade turnover	540	-476	-1.111	-997	-655	170	-111	-270
Export of services	773	826	1.266	1.655	1.474	1.211	992	822
Import of services	117	211	196	228	311	349	331	433
Services turnover	656	615	1070	1.427	1.163	862	661	389
Current turnover	1.429	139	41	430	508	1.032	550	119
The value of reserves	720	1.499	2.297	3.315	3.800	4.166	4.784	4.941

Source: Bank of Slovenia Annual Report. 2003. Lublana. 2003. Slovenia Economic Transformation. Volume 11.Main Report. World Bank. Washington. 1998.

While taking into account the value per capita of foreign trade in Slovenia (about 7500–9000 USD), it gives her one of the best places in Europe (*Slovenian Statistical*... 2003). It shows that Slovenia was active in the international work share. Traditional offer of export after year 1992 was also accepted on the other very strict markets, especially EU. Industries, that start or continuity its operating, but also want to expand their companies must gain the access to the foreign receivers. The outside market is restricted and it is a very effective demand-pull barrier (Mrak 1998). Above statement find its reflection in analysis of the biggest firm deliveries. In significant majority the production is designated for export. Table 7 shows the data.

In the analyzed group of industries the share of export in the total value of deliveries fluctuates from 51–95%. The highest share possess companies that distribute medicaments (KRKA<LEKA) and the smallest in the building the company SKB.

Until year 1990 Slovenia didn't have any special restrictions in foreign turnovers. One vital barrier was the access to devise means, designated for supply import. However there wasn't a significant monopoly of foreign trade. The companies accessed the possibility to gain to the outside markets (GRUCINI 1997). According to this fact, full liberation of foreign trade came without any special problems and in very short time. From 1992 year the government of Slovenia encourages to active exporting. Nearly 60% "help means" that government dedicated in years 1992–2002 for local companies, were designated for firms participating in international exchange (*Global Economic*... 2003).

Table 7

The share of export (%) in total value of market deliveries of selected Slovenian companies in years 1992–2002

Firm/Sector	1992	1994	1996	1998	1999	2000	2001	2002
Krka (medicine)	85	82	89	92	95	90	91	90
LEKA(medicine)	76	75	88	81	83	85	86	86
Mercator(food)	71	77	81	80	76	77	74	71
Instrabenz(chemistry)	67	66	69	70	66	63	61	65
Groga Portoroz (machinery)	73	75	64	68	72	77	76	55
Radenska (machninery)	75	78	81	88	87	67	71	82
SKB (construction)	69	66	63	57	69	51	48	57

Source: Source: Based on Lublana Stock Exchange Annual Report.z 1997 and 2003.

Slovenia has also a very effective politic of security its market. In this aim the tariff aims and parataxis are used. The security of market designates the agronomic products, and the high processed. In this product groups rule the highest rates about 23&, average payments amount 10% counted ad valorem. The access to the agricultural products is similar to this in the European Union. Importers (except the high duty) need to deliver certificates of its quality, origins, certificates of its access to the market, and the deliveries must accommodate in the limits. This model helps an exchange based on two sides trade agreement. Based on the agreements then come preferences. Thanks to this nearly 4/5 trade turnovers is realized based on toside agreement. The most, nearly 70% dedicates trade with EU countries., 8% with CEFTA, an least with EFTA (*Strategy of the Republic*... 1998). The expansion (especially after year 1998) are agreements about free trade(Free Trade Agreement-FTA). Based on this agreement every restrictions about exchange are not obligatory. The first Fta Slovenia had with Croatia. In 2002 the agreement s about free trading was 11. It is worth to underline, that export to the countries of free trading zone during years 1998–2002 raised 23,5%, and import similarly gains the same levell (*International Trade Statistics*... 2003). Slovenian companies are the beneficiens.

Macro economical stability and the perspectives of development after access to the European union

Before accession the Slovenia position (comparing it to the others countries) was very good. Thanks to the economic reforms the standard of living was noted. The annual GDP growth (during the years 1992–2002) was on 4,9 % the level. It was the highest among all countries under transformation. The annual GDP growth in Czech was on the level of 3,6%, Hungary 2,5%, Estonia 2,8%. The level of investment was also very high. In Slovenia the level was 24,5%, Czech 21%, Hungary 19,6%. Thanks to investments the rate of unemployment was reduced. During the years 1992–2002 the rate of unemployment in Slovenia was 6,8%, Czech was exceeded the level of 7,2%, Hungary 6,6%, Estonia 6,9%. The above mentioned indicators were supported by balanced budget and low inflation.

The GDP per capita can be used as the synthetic indicator of economic situation . Its dynamic is presented at Figure 3.

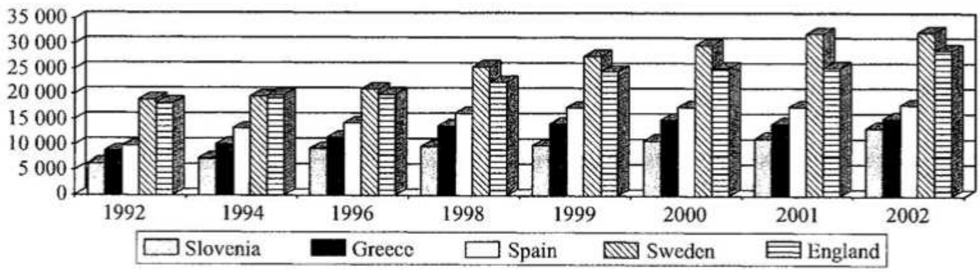

Fig. 3. The level of GDP per capita in Slovenia and other UE countries during 1992–2002 (USD)
Source: Elaborated on Statistical Office of the European Communities. Report 2 from 2003

The Slovenian GDP per capita consists nearly 90% of Greece and 78% of Spanish level. In this way is quite close to the level of some less developed UE countries. The bigger distance is noted when one can compare GDP per capita to the leading European countries. In this respect the Slovenian GDP pre capita fluctuated on 45% of their income. From the other hand Slovenian results ore the best ones among other countries acceded EU. For example Polish GDP per capita consists 39% of UE level, Hungarian 47% Czech 63% and Slovenian 69%. The key question is related to the time when Slovenia can reach the level of UE countries. Based on the studies headed by World Bank. Slovenia within 21 years can reach 75% of standard EU GDP per capita level. Such estimation was assumed when annual GDP growth in Slovenia would rise by 4% and in other UE countries by 2%.

Such scenario can be even shorter when Slovenia can increase the investment which influences the GDP growth. When the market can be more open for foreign investors the flow of international capital can be expected.

Based on R.Barro formula, referring to the GDP correlation and the economic politics (granting Slovenia 4% annual growth) one must do in the first :

- liberalize domestic market,
- cancel dominant government position in the key sectors,
- lower the tariff and paratariff levels,
- keep the low rate of inflation,
- make all firms equal,
- reduce the government support for domestic companies 43.

Conclusions

The headed analyze confirmed the taken hypothesis. The Slovenian case pointed out that all reforms must be managed consequently and in the proper row. The first step after gaining the freedom, the plan was based on providing stable and steady fundamental framework for further growth.

The reforms took into the account the economic situation and background. That why Slovenia chose another manner of economic reforms. The basics differences between Slovenia and other middle European countries were referred to protection of its domestic market and to:

- create barriers for foreign capital flow,
- providing dominant government position in key sectors (like finance, communication, transport, energy),
- support for domestic companies based on local capital (especially government owned ones).

Thanks to the reforms the position of Slovenia is very optimistic (comparing it to the other countries under transformation) after joining the EU. GDP per capita is quite close to the EU level. Such situation can help Slovenia in further development. From the other hand, especially after 2004 Slovenia faces other problems. The country supposed to change its economic policy. The changes are referred to the liberalization of domestic market for foreign investors. This change will verify the running strategy. The liberalization can change the position of local companies. This is because the foreign entities have the financial advantage on domestic firms. But from the other hand the market oriented reforms must equalize all its members.

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